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SUBJECT: COLOMBIA'S NEW S&T LAW HIGHLIGHTS PUSH FOR
INNOVATION-LED ECONOMIC DEVELOPMENT

11. (SBU) SUMMARY: In December 2008 the Colombian Congress approved a Science, Technology and Innovation (STI) Law, with the intention for STI to become a major driver of Colombian productivity and long-term economic stability. The law increases GOC funding available for STI activities and research, elevates the Colombian Institute for the Development of Science & Technology (Colciencias) to quasi-ministerial status, and creates a public-private fund to ensure sustained STI investment. Local experts note that present national spending on STI -- 0.47 percent of GDP -- is not sufficient to promote innovation-led development, and praise this law's goal of increasing spending to 1 percent of total GDP by 2010. Local experts cite the lack of incentives and sustained funding within the present system, as well as brain drain resulting from historic political instability, as primary causes for Colombia's lack of STI development. END SUMMARY.

A New Priority In National Policy

12. (U) On December 16 the Colombian Senate gave final approval for a Science, Technology and Innovation (STI) Law, which reforms the existing law of 1968. According to Colciencias Director Juan Francisco Miranda, this law converts STI from a theoretical concept to an explicit component of the social and economic development of the country. The GOC will now include STI targets in official planning documents, and each year Colciencias will have to submit a national STI policy to Colombia's National Planning Department (DNP). Miranda characterized the law as an indication of the GOC priority that Colombia increase its productive apparatus to move away from illicit activities and ensure long-term economic stability. Guillermo Perry, a former Finance Minister and senior analyst at leading economic think tank Fedesarollo concurred that the law raised the political salience of STI, explicitly making STI a tool for addressing Colombia's shortfalls in competitiveness and production.

Increased National Investment In STI

13. (U) GOC spending on STI has historically been low. In 2007 national spending was 0.47 percent of GDP, below neighboring countries such as Argentina, Brazil, Chile and Venezuela. Miranda said Colombia is behind Latin American countries in numerous STI indicators -- including research and development expenditures, number of Ph.D. science students, and number of patents. The new law hopes to address these deficits by increasing overall STI expenditures to 1 percent of overall GDP by 2010. Rather than depend upon

foreign technology, local experts state that Colombia must begin to develop its own.

Colciencias Bureaucratic Status to Rise

¶4. (SBU) One of the main components of the law is the elevation of Colciencias from an institute within DNP, to an independent quasi-ministerial body equal to DNP. (NOTE: These quasi-ministerial bodies, such as DNP or the National Statistics Department (DANE), are called "departamentos administrativos" and have essentially the same authority as cabinet level organizations but are not technically federal ministries. Local contacts tell us Colciencias was elevated to an "departamento administrativo" because, under the Uribe Administration's practice of reducing government bureaucracy, it is not politically tenable to create new ministries. END NOTE.) The Director of Colciencias will now participate in ministerial meetings and have a greater voice in STI policy formation. Along with augmented status, the budget of Colciencias will increase to USD 90 million in 2009--a 69 percent increase since 2006.

Investment Fund To Secure STI Resources

¶5. (U) The law creates a public fund with initial capitalization of USD 50 million to secure sustained and autonomous resources in support of national STI policies. Colciencias will have oversight of the fund, with a private investment firm providing direct management. Miranda stated

that presently, the national STI system is inefficient and difficult to maneuver. Every government entity, be it a federal, regional or local body, relies upon its own R&D mechanisms and research. The GOC expects the new fund to increase STI investment, by providing an efficient, expedient and centralized use of resources. Likewise, Colciencias will have the authority to instruct ministries to increase their fund investment and the President's Office reserves the right to make contributions mandatory in the future.

¶6. (SBU) Miranda also noted that private entities can invest in the fund, recognizing the crucial role of the private sector in securing future investment. According to Miranda, less than 40 percent of STI research expenditures presently come from the private sector, which is not sufficient for innovation. While the initial USD 50 million contribution to the fund will come from the National Royalty Fund, a public source, Colciencias hopes that private investments will eventually equal or surpass public sector funding. International bodies, such as the World Bank or the Inter-American Development Bank, may also invest. This fund will focus only on STI projects and activities and cannot legally finance Colciencias administrative costs or any other public entity.

¶7. (SBU) Perry cautioned to us, however, that while this fund does increase STI resources, in the long-term a more sustainable source of funding will be necessary. To secure long-term progress in and funding for STI, he stated that government cannot have direct, everyday control and supervision over the field. Perry stated that the private and academic sectors need to have genuine authority and serve in more than STI advisory positions to the government. Since future governments, less committed to STI, could simply eliminate the fund, Perry called for the same independence and institutionality presently enjoyed by the Central Bank to be provided STI institutions.

Targeting Academic Goals

¶8. (SBU) Representatives from the Ministry of Education and SENA -- the national technical education system -- have publicly stressed the need to increase the number of Ph.D. students, researchers and research centers within Colombia. They cite Colombia's graduation of less than 100 Ph.D.'s in

2007 as evidence of the lack of prioritization in Colombia on high level research and academic promotion. Insufficient research funding and a brain drain caused by historic political instability are often cited as the primary causes of this deficit. According to 2006 Ministry of Education statistics, less than 5 percent of students who received Ph.D. scholarships remained in Colombia. To address this phenomenon, the STI law intends to increase the research opportunities for students and researchers, and sets a target of increasing new Ph.D. candidates by 500 each year. Colciencias Director Miranda acknowledged the target as low, but nonetheless a huge challenge for Colombia.

Tough Road Ahead

19. (SBU) While Miranda is a leading advocate for the law and the STI philosophy it entails, he also admitted to us that he was "completely terrified" of the new responsibilities his institution must assume. With the same number of personnel -- the law does not allow for increased hiring due to GOC attempts to limit bureaucracy -- Colciencias will assume the added obligations and pressure of a quasi-ministerial body. While maintaining normal functions, Colciencias will now have to take the lead on developing national STI policy, manage an investment fund and convince other involved actors that STI investment is essential to Colombia's development. Miranda and other senior officials at Colciencias welcome the challenge but admit that sustained support from the President's Office and greater participation by the private sector are necessary if this initiative is to succeed.

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